

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2015-16		FY 2016-17	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$200,522	See Below	\$202,958	See Below
CASH FUNDS		See Below		See Below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$200,522	See Below	\$202,958	See Below

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 619 amends the Nebraska Liquor Control Act to define poker as a game of skill, give the Liquor Control Commission regulatory authority over poker games and tournaments, and allow certain licensees and other entities to host poker games and tournaments through either a poker endorsement on their license or by obtaining a special designated poker license.

Section 53-131 is amended to allow a retail, craft brewery, or microdistillery licensee, for an additional fee of \$1,000, to host a poker game or tournament. The licensee is required to notify the Commission a minimum of three days prior to holding a poker game or tournament.

The bill would also allow the Liquor Control Commission, in conjunction with a special designated license (SDL) issued under Section 53-124.11, to issue a special designated poker license (SDPL) to host poker games and tournaments. No licensee may be issued a SDPL for more than six calendar days in any one calendar year and only one SDL is required for any application for two or more consecutive days. The fee for the SDPL is \$40 per day and is to be submitted with the application, collected by the Commission for credit to the General Fund.

Entities eligible to receive an SDL include the following:

- Retail licensees
- Craft brewery licensees
- Microdistillery licensees
- Farm winery licensees
- Municipal corporations
- Fine Arts museums incorporated as a nonprofit corporation
- Religious nonprofit corporations exempt from federal income taxes
- Political organizations exempt from federal income taxes
- Any other nonprofit corporation whose purpose is fraternal, charitable, or public service and are exempt from federal income taxes

The bill restricts where poker games or tournaments may be hosted to a designated location or on the premises of a retail licensee, a craft brewery licensee, a microdistillery licensee, or a farm winery licensee.

The only type of poker games that may be conducted are draw and community card poker games, which are defined in the bill. Further, all participants are required to be 21-years of age and neither the licensee nor any employee of the licensee is allowed to participate as a player

No SDPL shall be issued by the Commission without the approval of the local governing body. The local governing body is the city or village within which the premises are located where the poker event will take place or if the location is outside a city or village the local governing body shall be the county.

LB 619 requires the licensee to remit 10% of the gross proceeds of a poker tournament and 5% of the final amount in each pot of a cash game to the Commission. The Commission is to remit that amount to the State Treasurer who is to distribute the amount as follows:

- If the tournament or cash game was held within the boundaries of a city or village:
 - < 50% of the amount is credited to the Property Tax Credit Cash Fund;
 - < 24.5% of the amount to the county general fund of the county where the event was held;
 - < 24.5% of the amount to the city or village where the event was held;
 - < 1% to the Compulsive Gamblers Assistance Fund.
- If the tournament or cash game was held outside the boundaries of a city or village:
 - < 50% of the amount is credited to the Property Tax Credit Cash Fund;
 - < 49% of the amount to the county general fund of the county where the event was held;
 - < 1% to the Compulsive Gamblers Assistance Fund.

No credit shall be extended to participants in a poker game or tournament. All participants shall pay with cash. Cash is defined as U.S. currency having the same value as the poker chips or other monetary representation that may be substituted for cash for the purposes of wagering.

The Liquor Control Commission estimates the fiscal impact of LB 619 to the General Fund as follows:

FY2015-16:	\$ 1,131,600
FY2016-17:	\$ 1,131,600

The Commission estimates the cost of implementing LB 619 at \$200,522 for FY2015-16 and FY2016-17. This includes PSL of \$108,278 for both fiscal years.

We disagree slightly with the Commission's estimate of cost. We estimate the cost for FY2016-17 at \$202,958, with PSL of \$110,436.

The Department of Revenue indicates that LB 619 does not have a fiscal impact on the General Fund and that the Department's cost to implement LB 619 will be minimal.

We agree with the Department of Revenue's estimate of fiscal impact and cost.

It is difficult to estimate the fiscal impact of just the licensing aspect of LB 619. The Commission has offered their estimate based on the maximum number of licensees maximizing the number of SDL permits. However, the language of the bill appears to require both an SDL and a SDPL, which would be \$80 per day instead of \$40 which would double the Commission's basic revenue estimate. This estimate does not include the \$1,000 application fee provided for in Section 8 of the bill.

We have no way of estimating how many licensees may apply and include the poker endorsement fee in their application under Section 8, although we do believe the number will be substantial. For example, if 25% of eligible licensees added the poker endorsement fee to their application revenue would increase by \$1,178,000, just for licensing.

We are unable to provide an estimate of revenue from the bill as a result of the requirement to remit 10% of gross proceeds and 5% of the final amount in each pot. We have no way to estimate the number of tournaments or games that may take place or the magnitude of betting that could occur. In addition, it is unclear as to the meaning of "gross proceeds" and "final amount" and how those amounts are to be determined.

Please complete ALL (5) blanks in the first three lines.

2015

LB⁽¹⁾ 619

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

NEBRASKA LIQUOR CONTROL COMMISSION

Prepared by: ⁽³⁾

JERRY VAN ACKEREN

Date Prepared: ⁽⁴⁾

1/28/2015

Phone: ⁽⁵⁾

1-4892

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$200,522</u>	<u>\$1,131,600</u>	<u>\$200,522</u>	<u>\$1,131,600</u>
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>\$200,522</u>	<u>\$1,131,600</u>	<u>\$200,522</u>	<u>\$1,131,600</u>

Explanation of Estimate:

Financial Impact:

Number of Licenses eligible to have a poker endorsement

4,715 x max 6 days = \$28,290

28,290 days x fee \$40.00 per day = \$1,131,600

No basis to predict or project gross receipts to State Treasurer from poker revenue, page 5, line 8-12.

Projected expenditures:

To verify gross proceeds as outlined page 5, line #8, see below.

The intent of this bill is to have only one license be issued, either the Special Designated License or the Special Designated Poker License.

No basis to calculate the \$1,000 endorsement referenced on page 9-10.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16 EXPENDITURES</u>	<u>2016-17 EXPENDITURES</u>
	<u>15-16</u>	<u>16-17</u>		
<u>Auditor I</u>	<u>2</u>	<u>2</u>	<u>76,424</u>	<u>76,424</u>
<u>Staff Asst. I</u>	<u>1</u>	<u>1</u>	<u>31,854</u>	<u>31,854</u>
Benefits.....			<u>47,244</u>	<u>47,244</u>
Operating.....				
Travel.....			<u>32,000</u>	<u>32,000</u>
Capital outlay.....			<u>13,000</u>	<u>13,000</u>
Aid.....				
Capital improvements.....				
TOTAL.....			<u>200,522</u>	<u>200,522</u>

